

City of Willoughby Hills

Interoffice Memo

Date: June 24, 2013
To: Mayor and Members of City Council
From: Frank J. Brichacek, Director of Finance *FJB*
Subject: Police and Fire Pension Fund Pickup Plan Resolution

As a part of the pension reforms being implemented by the Ohio Police and Fire Pension Fund, the employee's contribution rates will be increasing as follows:

- 10.00% - Current Employee Contribution Rate
- 10.75% - Effective July 2, 2013
- 11.50% - Effective July 2, 2014
- 12.25% - Effective July 2, 2015

The City's current contribution rates of 19.50% for police officers and 24.00% for firefighters will remain unchanged.

Under the City's current labor agreements, the City is required to contribute (i.e. pickup) 1.0% of the employee's required contribution. The City benefits from this arrangement because the employee's gross pay does not increase. The employees benefit from the pickup plan because this portion of their compensation is exempt from taxation, thereby increasing their net take home pay.

Because of the coming change in employee contribution rate, the OP&F Pension Fund has notified the City that City Council must reaffirm the City's pickup plan using the new contribution rates. Without this affirmation, the City's pickup plan would become taxable beginning with the first pay period in July. The wording in the attached resolution was drafted by the City's pension fund liaison and satisfies all Treasury requirements to maintain the tax exempt status of our pickup plan.

I would request that this resolution be passed at the June 27th Council meeting in order to meet the July 2nd deadline. I apologize for the lateness of this request. If you have any questions, do not hesitate to contact me.

Attachment

C: Debbie Doles, Assistant Finance Director

**PICK-UP RESOLUTION
EXISTING PICK-UP PLAN
RESTATED RESOLUTION OF THE CITY OF WILLOUGHBY HILLS
LAKE COUNTY, OHIO**

The Council of the City of Willoughby Hills, Lake County, Ohio met at a duly called and authorized meeting of the Council on the date set forth below, such meeting being duly called pursuant to a notice stating the time, place and purpose of the meeting received by all Council members, and the following resolutions were made, seconded, and adopted by those present at the meeting.

WHEREAS, the eligible employees of the **Willoughby Hills Fire Department** participate in the Ohio Police & Fire Pension Fund;

WHEREAS, the Council desires to pick up all of the mandatory contributions required to be paid under Section 742.31 of the Ohio Revised Code for participating employees of the **Willoughby Hills Fire Department** who are members of the Ohio Police & Fire Pension Fund;

WHEREAS, Ohio Police & Fire Pension Fund has adopted new procedures for reporting picked-up contributions in order to properly prepare 1099-R forms for its members;

WHEREAS, the Council of the City of Willoughby Hills wishes to reaffirm, amend and/or restate its prior resolution in order to continue the pick-up under the new procedures;

NOW, THEREFORE, BE IT RESOLVED, that effective as of **July 7, 2013, July 6, 2014 and July 5, 2015** the Council of the City of Willoughby Hills has determined to continue to pick-up **1.00%** of the mandatory contributions by the employees who are members of the Ohio Police & Fire Pension Fund **by paying the contributions on behalf of the employee. The remaining percentage will be paid through a payroll reduction.**

BE IT FURTHER RESOLVED, that said picked up contributions paid through a payroll reduction, even though designated as employee contributions for state law purposes, are being paid by the City of Willoughby Hills in lieu of said contributions by the employee;

BE IT FURTHER RESOLVED, that said picked up contributions will not be included in the gross income of the employees for tax reporting purposes, that is, for federal or state income tax withholding taxes, until distributed from the Ohio Police and Fire Pension Fund;

BE IT FURTHER RESOLVED, that said picked up contributions will be included in the gross income of the employees, for employment tax purposes, as the contributions are made to the Ohio Police and Fire Pension Fund; and

BE IT FURTHER RESOLVED, that said employees shall not be entitled to any option of choosing to receive the contributed amounts directly instead of having them paid by the City of Willoughby Hills to the Ohio Police and Fire Pension Fund.

Dated this _____ day of _____, 20_____.

(Secretary or Authorized Signature[s])

(Name[s])

(Title[s])